

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

February 2, 2005

Agenda ID #4289

TO: PARTIES OF RECORD IN APPLICATION 04-08-008

This is the proposed decision of Administrative Law Judge (ALJ) Galvin, previously designated as the principal hearing officer in this proceeding. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Pursuant to Resolution ALJ-180 a Ratesetting Deliberative Meeting to consider this matter may be held upon the request of any Commissioner. If that occurs, the Commission will prepare and mail an agenda for the Ratesetting Deliberative Meeting 10 days before hand. When an RDM is held, there is a related ex parte communications prohibition period.

The Commission may act at the regular meeting, or it may postpone action until later. If action is postponed, the Commission will announce whether and when there will be a further prohibition on communications.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 19 of the Commission's "Rules of Practice and Procedure." These rules are accessible on the Commission's website at <http://www.cpuc.ca.gov>. Pursuant to Rule 77.3 opening comments shall not exceed 15 pages. Finally, comments must be served separately on the ALJ and the assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service.

/s/ ANGELA K. MINKIN  
Angela K. Minkin, Chief  
Administrative Law Judge

ANG:tcg

Decision **PROPOSED DECISION OF ALJ GALVIN** (Mailed 2/2/2005)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U 338-E) for Approval of its Forecast 2005 ERRA Proceeding Revenue Requirement; to Implement its ERRA Revenue Requirement Coincident with the DWR Power Charge Revenue Requirement; and to Consolidate all Commission-authorized Revenue Requirements and Set Unbundled Rate Components Beginning January 1, 2005.

Application 04-08-008  
(Filed August 2, 2004)

Robert B. Keeler, Attorney at Law, for  
Southern California Edison Company, applicant.  
Douglass & Liddel, by Daniel W. Douglas, Attorney at  
Law, and MRW & Associates, by Mark Fulmer, for  
Alliance for Retail Energy Markets, interested parties.  
Regina Deangelis, Attorney at Law, for the Office of  
Ratepayer Advocates.

**OPINION ON SOUTHERN CALIFORNIA EDISON COMPANY'S  
ENERGY RESOURCE RECOVERY ACCOUNT FORECAST****Summary**

This decision adopts a 2005 Energy Resource Recovery Account (ERRA) revenue requirement forecast of \$3.16 billion for Southern California Edison Company (SCE). The resulting 2005 system average ERRA generation rate amounts to 5.691 cents/kilowatt-hour (kWh), a 43.78% increase, and the resulting

system average ERRA delivery rate amounts to 0.114 cents/kWh, a 70.14% decrease, relative to the 2004 rates.

For the purpose of developing the 2005 revenue requirement, this decision also adopts a Competition Transition Charge (CTC) rate of 0.035 cents/kWh, as set forth in Exhibit 2. The 2005 CTC impact of any subsequent California Energy Commission (CEC) update shall be authorized through an Advice Letter filing only to the extent that it not be implemented prior to the later of the effective date of this order or fifteen days after the CEC updates the market benchmark rate if updated prior to the issuance of an order on SEC's 2006 ERRA forecast application.

SCE is also authorized to defer and consolidate the implementation of the revenue requirement change authorized by this order with its 2005 California Department of Water Resources (DWR) power charge revenue requirement being addressed in Application (A.) 00-11-038 and scheduled for implementation on March 17, 2005.

### **Background**

Decision (D.) 02-10-062 established an ERRA balancing account for the major energy utilities to track fuel and purchased power revenues against actual recorded costs. That decision required the major energy utilities to establish an annual ERRA fuel and purchased power revenue requirement forecast and an annual ERRA reasonableness review through the application process.

An October 1 date was set for SCE's annual ERRA forecast application. That date was subsequently changed to August 1 pursuant to D.04-01-050.<sup>1</sup> Consistent with Rule 3.2 of the Commission's Rules of Practice and Procedure, SCE filed the ERRA forecast application before us on August 2, 2004.

**Discussion**

By its ERRA forecast application SCE requested a \$2.89 billion ERRA revenue requirement for 2005. The majority of that revenue requirement consisted of estimated fuel and purchased power costs<sup>2</sup> that SCE will recover through the SCE Generation Charge, which is applicable to its bundled service customers. On December 17, 2004, SCE revised that revenue requirement upward by \$0.27 billion to \$3.16 billion to reflect recent increases in the natural gas prices, as reflected in Exhibit 7 and detailed in Sealed Exhibit G. No party objected to SCE updating its 2005 ERRA revenue requirement.

SCE also requested approval of a SCE/Alliance for Retail Energy Markets (AReM) joint agreement on the CTC component of the Direct Access (DA) Cost Responsibility Surcharge (CRS). Finally, SCE requested authority to consolidate all Commission-authorized revenue requirements with the ERRA revenue requirement and set unbundled rate components to recover those revenue requirements concurrent with the 2005 DWR power charge revenue requirement.

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<sup>1</sup> When the 1<sup>st</sup> falls on a Saturday, Sunday, or holiday when the Commission offices are closed, the filing date is extended to include the first day thereafter, pursuant to Rule 3.2.

<sup>2</sup> It does not reflect costs related to projected DWR contracts, which are reflected in the DWR Power Charge.

An evidentiary hearing was held on December 8, 2004, at which time witnesses and counsels clarified their positions and specifics of the SCE/AReM joint statement on the 2005 CTC rate were reduced to writing and received into the record as Exhibit 2. Concurrent briefs were filed by SCE and ORA on December 21, 2004, at which time the matter was submitted for decision.

**Revenue Requirement Forecast**

SCE estimated that the generation service rate increase associated with this application and attributable to bundled service customers is 43.78%. Comparing the 2005 ERRA-related generation service revenue requirement to the expected present rate revenue results in an additional ERRA-related generation service revenue change of \$932.42 million. Comparing the 2005 ERRA-related delivery service revenue requirement to the expected present rate revenue results in a reduced ERRA-related delivery revenue change of \$225.32 million. The overall ERRA revenue requirement change is \$707.10 million (\$932.42 less \$225.32 million).

SCE provided three primary reasons for this revenue increase. First, procurement costs are increasing, in part because SCE must procure additional energy and capacity in 2005 to replace energy and capacity currently provided by a major DWR contract that terminated in December of 2004. Second, additional capacity and associated energy costs resulting from increasing SCE's reserve margin to fulfill the Commission's requirement of a 15% to 17% planning revenue was included in its 2005 requested procurement revenue requirement.<sup>3</sup>

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<sup>3</sup> This reserve requirement was required by D.04-10-035.

Third, SCE forecasted its December 31, 2004 ERRA undercollected balance to be substantially higher than the balance included in current rate levels.

SCE mitigated that large undercollected balance by offsetting its undercollected balance by approximately \$65.70 million in energy refunds it received from Williams and Dynegy in 2004 and \$38 million it anticipates to receive from Duke in early January 2005.<sup>4</sup> These ERRA-related generation service and delivery service revenue changes were detailed in the direct and rebuttal testimony of SCE.

The Office of Ratepayer Advocates (ORA) conducted an independent review and analysis of SCE's application, testimony, workpapers, and data responses which included a load duration curve that demonstrated that SCE would have sufficient energy for the majority of hours during 2005 if \$328 million of long-term proxy contracts were excluded. Based on that review and analysis, ORA concluded that the 2005 ERRA revenue requirement being requested by SCE is overstated by \$328 million. However, ORA did acknowledge that sufficient justification would exist for SCE to raise rates and recover these costs if SCE subsequently entered into such long-term contracts and those contracts were found reasonable and eligible for cost recovery in a later proceeding.

SCE disputed ORA's conclusion on the basis that without such long-term contracts it would not be able to meet its forecasted peak load during the summer of 2005 and that the additional capacity is needed to assist SCE in assuring that it maintains an adequate operating reserve throughout 2005 and

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<sup>4</sup> Exhibit 7, p. 4.

attains the Commission's 15% to 17% planning reserve requirement by June of 2006.

From ORA's conclusion that SCE would have sufficient energy supplies for the **majority** of hours during 2005 we must conclude that there is no dispute that SCE will have insufficient energy sources to satisfy all of its energy needs and to maintain an operating reserve during 2005 without an additional energy source, whether that source is long-term or short-term energy contract commitments. Further, it would be difficult and more costly for SCE to procure short-term energy in lieu of long-term energy to satisfy its energy needs because energy producers are reluctant to respond to SCE's short-term bid solicitations.<sup>5</sup> In addition, we previously emphasized that the flexibility to obtain energy should not be interpreted as encouragement to rely of spot markets rather than procuring sufficient capacity in the forward markets.<sup>6</sup> Hence, reliance on short-term energy contracts to satisfy SCE's shortfall of energy needs does not appear to be a viable option in this instance.

Although ORA considered SCE's contention that these proxy capacity contracts were also needed to attain the Commission's 15% to 17% planning reserve requirement by June of 2006, it rejected that contention. The basis for this rejection was that the planning reserve requirement pertained to 2006, not 2005.<sup>7</sup>

By way of background, a 15% energy reserve capacity was provisionally adopted to ensure that SCE and other energy utilities would be able to provide

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<sup>5</sup> Reporter's Transcript, Vol. 1, p.76 line 14 to p. 78, line 7.

<sup>6</sup> D.04-07-028, dated July 8, 2004, *mimeo.*, p. 20.

<sup>7</sup> Reporter's Transcript, Vol. 1, p. 72, lines 21 through 27.

reliable energy service.<sup>8</sup> That 15% reserve capacity was modified to a range of 15% to 17% with a gradual phase-in beginning in 2005 and full attainment no later than January 1, 2008.<sup>9</sup>

On April 28, 2004 Governor Schwarzenegger sent a letter to Commission President Peevey that indicated that the reserve capacity phase-in date was too slow. President Peevey assured the Governor by letter on that same date that the phase-in period would be reevaluated.<sup>10</sup> Upon completion of that reevaluation, a June 1, 2006 date was adopted as the date for the energy utilities to achieve full implementation of the 15% to 17% reserve.<sup>11</sup> With the reserve requirement to be fully achieved in less than 24 months, the energy utilities were encouraged to act with deliberate speed and intention to achieve this goal.<sup>12</sup>

Based on this background review of the 15% to 17% reserve requirement, ORA's rejection of SCE's use of proxy capacity contracts to augment its reserve capacity is without merit. SCE should not be penalized for taking the deliberate action we requested of it to attain its full required reserve requirement no later than June 2006.

ORA further acknowledged that there is no difference on whether a 2005 ERRRA revenue requirement is adopted based on SCE's request or on ORA's

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<sup>8</sup> D.02-10-062, dated October 10, 2002, *mimeo.*, p. 29.

<sup>9</sup> D.04-01-050, dated January 22, 2004, *mimeo.*, p. 193.

<sup>10</sup> D.04-10-035, dated October 28, 2004, *mimeo.* pp. 5-6.

<sup>11</sup> *Id.*, *mimeo.*, p. 14.

<sup>12</sup> *Id.*, *mimeo.*, p. 15.



downward adjustment.<sup>13</sup> This is because the forecasted costs are subject to balancing account treatment and will be trued-up to recorded amounts at a later date. The ultimate cost recovery will therefore be based on recorded amounts that are subject to review in future ERRA reasonableness proceedings.

For these reasons, we reject ORA's \$328 million recommended reduction to SCE's requested 2005 ERRA revenue requirement. SCE's forecasted 2005 revenue requirements, sales and system average rates, as shown in Exhibit 7 and Sealed Exhibit G, are reasonable and should be adopted.

### **SCE & AReM Joint Statement**

CTC was defined in D.97-06-060 and D.97-11-074 as being the difference between the utilities' actual cost of a particular asset or contract and the short-term Power Exchange (PX) price. With the subsequent dissolution of the PX, a new market benchmark<sup>14</sup> was established in D.02-11-022 for use in calculating CTC. This new market benchmark was based on a 15-year levelized cost calculation for a combined cycle unit and resulted in the adoption of 4.3 cents/kWh rate for SCE's 2003 Direct Access (DA) Cost Responsibility Surcharge (CRS) calculations. In adopting the 2003 market benchmark rate we emphasized the need to regularly update that rate with the most current and reliable data as part of an annual updating of the DA CRS component.<sup>15</sup>

The 2003 market benchmark rate was updated to 5.18cents/kWh in SCE's 2004 ERRA revenue requirement forecast proceeding (D.04-04-066, dated

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<sup>13</sup> Id., p. 81, line 21 to p. 82, line 14.

<sup>14</sup> The market cost of a new combined cycle, baseload natural gas-fired power plant.

<sup>15</sup> D.02-11-022, dated November 8, 2002, *mimeo.*, pp. 108-109.

April 22, 2004). This updated rate was based on the CEC's October 2003 draft report titled *Electricity and Natural Gas Assessment Report*.

Absent an updated market benchmark rate from the CEC, SCE recommended as part of its testimony that its 2005 CTC rate should continue to be based on the currently authorized 5.18 cents/kWh benchmark rate. AReM recommended as part of its testimony that the 2005 CTC rate should be set at 5.80 cents/kWh based on its analysis and assumptions of the 15-year levelized cost of a new 500-MW combined cycle power plant.

SCE and AReM, acknowledging the Commission's desire to regularly update the market proxy value with more current information and that the CEC had not updated the market benchmark rate since 2003, issued a joint statement agreeing to use a 5.80 cents/kWh to calculate the 2005 CTC rate until such time that the CEC updates the market benchmark rate or updates the key elements underlying the calculation used to update the market benchmark rate.

Although SCE accepts AReM's proposed 5.80 cents/kWh benchmark price for purposes of producing the 2005 CTC rate, it does not agree to the methodology AReM used to calculate that market benchmark price. SCE believes that the CTC rate should be based on the market benchmark rate reflected in the most current CEC report.

The joint agreement also provides for a retroactive CTC application back to the date of this order upon the CEC's issuance of an updated market benchmark rate or issuance of updated key elements underlying the calculation of the market benchmark rate. The impact of any such change would be made through an Advice Letter filing within 15 days of SCE's receipt of the CEC's updated information.

On the basis of this market benchmark change, the 2005 calculated system average CTC rate is 0.035 cents/kWh as opposed to the 0.263 cents/kWh rate contained in SCE's original testimony. Use of the updated rate increases the DA customers' CTC revenue contribution to \$35.86 million from SCE's original estimate of \$30.92 million, an increase of \$4.94 million.

Consistent with the principle of bundled customer indifference adopted in D.02-11-022 and D.03-07-030, both the CTC rate reflected in the agreement and any revised CTC rate based on an updated CEC market benchmark rate will result in a change to the DA CTC revenue contribution. That change will be offset by a corresponding change in the bundled service customers' contribution to the DWR Power Charge, as the overall DA CRS capped at 2.7 cents/kWh (of which the CTC rate is one component) will remain unchanged. This means that for non-continuous DA customers, a change in the CTC component of the DA CRS will not result in a change to the total bill because any change made to the CTC component of the DA CRS will be offset by an equal and opposite change to the DWR Power charge component of the DA CRS. However, because continuous DA customers do not pay the DWR Power Charge component of the DA CRS, any change in the CTC component of the DA CRS made retroactive in this proceeding will require billing adjustments for these customers.

The ORA took no position on the 2005 CTC rate.<sup>16</sup>

The joint agreement providing for a 5.80 cents/kWh market benchmark rate is consistent with our prior statement that the market benchmark rate should be based on current data. Because the CEC has not updated the market

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<sup>16</sup> Reporter's Transcript Vol. 1, p.6, lines 14 through 18.

benchmark rate since 2003, it is appropriate to utilize more recent data from non-CEC sources. In this instance, it's the 5.80 cents/kWh agreed upon market benchmark rate that reflects the current changing trend in energy costs. For the purpose of determining SCE's 2005 ERRRA revenue requirement, we will adopt the 5.80 cents/kWh market benchmark rate. That rate results in a 0.035 cents/kWh system average CTC rate and a \$35.86 million DA CTC revenue contribution.

Although the joint agreement provides for the application of the impact of any CEC change in the market benchmark rate back to the effective date of this order, there is no assurance that such an event will occur or, if it does occur, whether it will occur prior to SCE's filing of its next annual ERRRA forecast application. There is also no basis to authorize retroactive billing adjustments on SCE's DA continuous customers upon the CEC's issuance of an updated market benchmark rate that may not be applicable back to the effective date of this order. Further, there was no justification for the proposed retroactive application of any CEC updated market benchmark rate.

The CTC impact of any subsequent CEC update should be authorized only upon the later of the effective date of this order or fifteen days after the CEC updates the market benchmark if updated prior to the issuance of a decision on SCE's 2006 ERRRA application. The impact of any such update should be made through an Advice Letter filing and consistent with the joint agreement, any such update resulting in a negative number would be set at zero.<sup>17</sup> Except for this

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<sup>17</sup> Id., p. 7, line 27 to p. 8., line 15.

modification of implementing updated CEC information, the joint SEC/AReM agreement should be approved.

### **Consolidation and Implementation of Revenue Requirements**

SCE seeks to consolidate into this proceeding the effect of rate changes authorized by the Commission in other proceedings, such as the recent general rate case decision, D.04-07-022, and other accounts. These other accounts include SCE's: (1) Employee-Related Balancing Account, (2) Nuclear Decommissioning Adjustment Mechanism, (3) Other Distribution Adjustment Mechanism, (4) California Alternative Rates for Energy (CARE) Balancing Account, (5) Public Purpose Programs Adjustment Mechanism, and (6) Base Revenue Requirement Balancing Account.

SCE requested this consolidated so that it may implement at one time several rate changes coming out of different proceedings. Tables II-2 and II-3 of Exhibit 3 identified the various revenue requirements SCE seeks to consolidate by rate component and by revenue requirement, respectively. These revenue requirements were subsequently updated on December 17, 2004 as set forth on pages 22 through 26 of Exhibit 7.

The ORA does not object to this proposal as long as SCE substantiates that the Commission authorized these amounts in other proceedings. In that regard, we observe that the Commission previously authorized SCE to consolidate all Commission-authorized revenue requirements and unbundled rate levels to recover revenue requirements in SCE's annual ERRa forecast proceeding.<sup>18</sup>

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<sup>18</sup> See, for example, Ordering Paragraph 7 of D.04-01-048 and Ordering Paragraph 1 of D.04-03-023.

Subsequent to that authorization, SCE revised its tariffs to reflect the Commission's adoption of these procedures for the above-identified accounts, as detailed in Appendix F of Exhibit 5. The tariffs of these individual accounts also provide for reasonableness reviews to be conducted as part of SCE's annual ERRA reasonableness application.

Pursuant to D.04-01-048, D.04-03-023, and the current tariffs of SCE, it is appropriate for SCE to submit an advice letter filing that consolidates the rate changes authorized by the Commission in other proceedings and the latest recorded balance in the above-identified accounts with the ERRA forecast revenue requirement adopted by this order. Also, consistent with SCE's tariffs, the individual balances consolidated in this proceeding will be reviewed on a retrospective basis for reasonableness as part of SCE's April 2005 ERRA reasonableness application.

SCE further requested that the revenue requirements being authorized in this proceeding be implemented concurrent with the DWR 2005 authorized revenue requirement change being addressed in A.00-11-038 and scheduled to be implemented on March 17, 2005. This is because SCE anticipates that DWR will supply SCE's bundled customers a significantly smaller portion of energy (from 33% in 2004 to 26% in 2005), resulting in excess of a \$500 million DWR power charge revenue requirement reduction. That smaller portion of DWR energy to SCE's bundled service customers is interrelated and offsetting to SCE's ERRA.

There is no objection to deferring the revenue requirement change authorized by this order until the DWR 2005 forecast revenue requirement change is authorized. We concur, as this consolidation proposal minimizes the number of rate changes within a relatively short period of time.

**Confidential Information**

SCE tendered data and testimony to substantiate the reasonableness of its energy forecast for 2005. Portions of SCE's and ORA's data and testimony deemed commercially sensitive were tendered under seal, pursuant to General Order 66-C. Due to the commercially sensitive, confidential, and proprietary nature of the information on SCE's forecast of energy use for 2005, all such information deemed commercially sensitive was placed under seal pursuant to a September 24, 2004 Administrative Law Judge (ALJ) ruling.

Information placed under seal relates to certain retained generation resources, energy under SCE contracts, DWR contracts allocated to SCE, management of surplus energy, acquisition of power to meet the residual net short and long positions, costs, collateral requirements, hedging activities, and other information that might put SCE at a competitive disadvantage, if revealed. Maintaining this information under seal is reasonable and consistent with the provisions of Pub. Util. Code § 454.5(g), which states the Commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan. Therefore, all such information placed under seal should remain under seal for a period of one year from the effective date of this order except upon further order or ruling of the Commission or ALJ then designated as the Law and Motion Judge.

**Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with the Pub. Util. Code § 311(d) and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_. Reply comments were filed on \_\_\_\_\_.

### **Assignment of Proceeding**

Michael R. Peevey is the Assigned Commissioner and Michael J. Galvin is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. ORA conducted an independent review and analysis of SCE's application, testimony, workpapers, and data responses.

2. SCE's load duration curve demonstrated that if \$328 million of long-term proxy contracts were excluded, SCE would still have sufficient energy for the majority of hours during 2005.

3. ORA rejected SCE's use of proxy capacity contracts to meet its 15% to 17% reserve requirement by June 2006 on the basis that this planning reserve requirement pertained to 2006, not 2005.

4. A 15% energy reserve capacity was provisionally adopted to ensure that SCE and other energy utilities would be able to provide reliable energy service.

5. The 15% reserve capacity was modified to a 15% to 17% range to be attained no later than January 1, 2008 with a gradual phase-in beginning in 2005.

6. A reevaluation of the phase-in period to attain a 15% to 17% reserve capacity resulted in acceleration of full implementation of that range by June 1, 2006.

7. There is no difference on whether a 2005 ERRRA revenue requirement is adopted based on SCE's request or on ORA's downward ERRRA adjustment.

8. Exhibit 2 sets forth the joint statement of SCE and AReM on the appropriate CTC rate for 2005.

9. D.02-11-022 emphasized the need to regularly update the energy market proxy value at the annual updating of the DA CRS component with the most current and reliable data.



10. The current 5.18 cents/kWh benchmark price for calculating CTC was based on the CEC October 2003 draft report titled *Electricity and Natural Gas Assessment Report*.

11. SCE and AReM agreed to use a 5.80 cents/kWh rate to calculate the CTC rate for 2005.

12. SCE and AReM agreed that SCE would file an Advice Letter updating the CTC component of the DA CRS upon the CEC's issuance of a more current energy market benchmark. That rate would be applied retroactively to the date of this order.

13. The ORA took no position on the CTC rate for 2005.

14. The ORA does not object to SCE consolidating into this proceeding the effect of rate changes authorized by the Commission in other proceedings and other accounts as long as SCE substantiates that the Commission authorized these amounts in other proceedings.

15. SCE was authorized to consolidate all Commission-authorized revenue requirements and unbundled rate levels to recover revenue requirements in SCE's annual ERRA forecast proceeding pursuant to D.04-01-048 and D.04-03-023.

16. SCE revised its tariffs to provide for reasonableness reviews of the various accounts to be conducted as part of SCE's annual ERRA reasonableness application.

17. Information that would place SCE in a competitive disadvantage if disclosed was placed under seal.

### **Conclusions of Law**

1. SCE's load duration curve demonstrated that if \$328 million of long-term proxy contracts were excluded from the 2005 forecast ERRA revenue

requirement, SCE would have sufficient energy for the majority of, but not all hours for 2005.

2. Based on SCE's experience, it would be difficult and more costly for SEC to procure short-term energy in lieu of long-term energy to satisfy its energy needs because energy producers are reluctant to respond to short-term bid solicitations.

3. SCE should not be penalized for taking the deliberate action it was requested to do to attain its required reserve requirement no later than June 2006.

4. The 2005 ERRA revenue requirement forecast and associated estimates as reflected in Exhibit 7 and Sealed Exhibit G should be adopted, and SCE should be allowed to modify its ERRA rates consistent with the information contained in those exhibits.

5. A 5.80 cent/kWh market benchmark is appropriate for calculating the 2005 CTC rate pending the issuance of a CEC report that results in an updated market benchmark rate.

6. Any 2005 updated CTC rate resulting from a CEC updated report should be made effective upon the later of the effective date of this order or 15 days after SCE receives the CEC updated information. To the extent that any such update results in a negative number, the CTC rate shall be set at zero pending resolution on a negative CTC rate as proposed in D.02-11-022.

7. SCE should be authorized to consolidate into this proceeding the effect of rate changes authorized by the Commission in other proceedings and other accounts, as discussed herein.

8. The individual balances consolidated in this proceeding should be reviewed on a retrospective basis for reasonableness as part of SCE's April 2005 ERRA reasonableness application.

9. The revenue requirement being authorized in this proceeding should be implemented concurrent with the DWR 2005 authorized revenue requirement change being considered in a separate proceeding.

10. Information placed under seal should remain sealed for the period specified herein.

11. Today's order should be made effective immediately.

## **O R D E R**

### **IT IS ORDERED** that:

1. Southern California Edison Company's (SCE) 2005 Energy Resource Recovery Account (ERRA) revenue requirement forecast and associated estimates, as reflected in Exhibit 7 and Sealed Exhibit G, are adopted. The impact of these revenue requirements shall be made through an Advice Letter filing in accordance with General Order 96-A.

2. The SCE/Alliance for Retail Energy Markets Joint Agreement competitive transition charge (CTC) shall be adopted as addressed in the body of this order. However, the impact of any subsequent CTC update shall be authorized only upon the later of the effective date of this order or fifteen days after the California Energy Commission (CEC) updates the market benchmark rate if updated prior to the issuance of an order on SCE's 2006 ERRA application. The impact of any such update shall be made through an Advice Letter filing in accordance with General Order 96-A.

3. SCE may defer and consolidate implementation of the revenue requirement change authorized by this order with its 2005 California Department of Water Resources power charge revenue requirement being addressed in Application 00-11-038 and scheduled to be implemented on March 17, 2005.

4. The individual 2005 balances of the various accounts identified in the body of this order shall be reviewed on a retrospective basis as part of SCE's April 2005 ERRA reasonableness application.

5. All information placed under seal shall remain sealed for a period of one year from the effective date of this order except upon further order or ruling of the Commission or Administrative Law Judge then designated as the Law and Motion Judge. If SCE believes that further protection of sealed information is needed beyond one year after the effective date of this order, it may file a motion stating the justification for further withholding of the sealed information from public inspection, or for such other relief as the Commission may provide. This motion shall be filed no later than 30 days before the one year period provided in this ordering paragraph.

6. Application 04-08-008 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.